

AVIATION TRANSPORTATION LOCAL SERVICES & UTILITIES FINANCE MANAGEMENT

Bringing Business to Government™

Financing Transit P3s

101 and 1001

Partnerships in Transit

October 23, 2008

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Contents

- Define the P3 project
- Determine the type of P3
- Maximize innovative finance sources
- Case studies

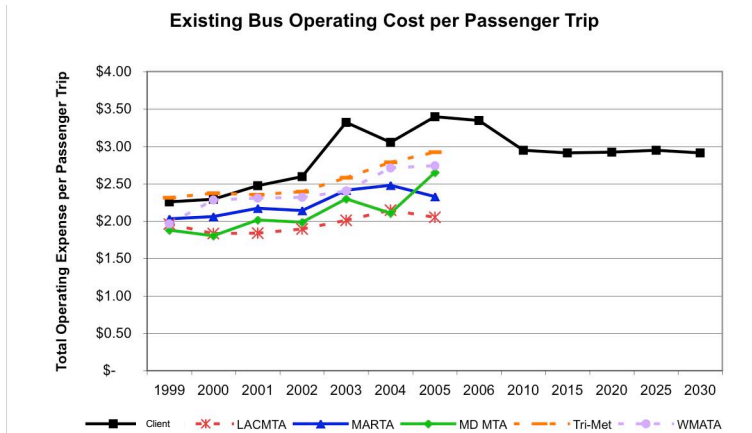


DEFINE THE P3 PROJECT

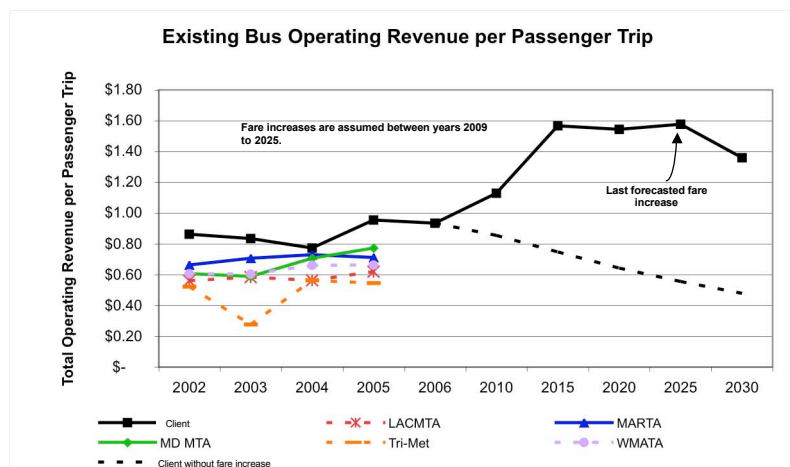
Streamline the capital program



Agree on realistic O&M costs



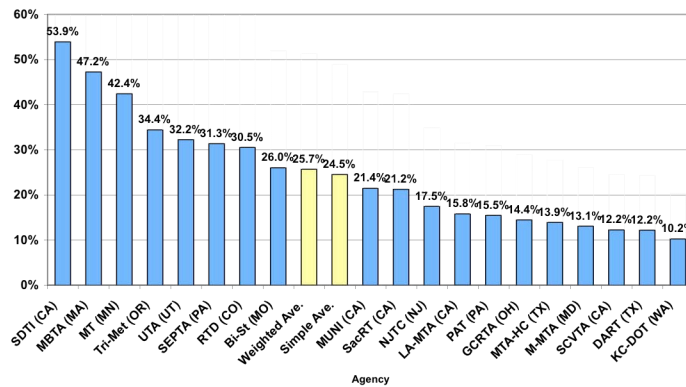
Assume defensible ridership forecasts and revenues



Settle on appropriate recovery ratio targets



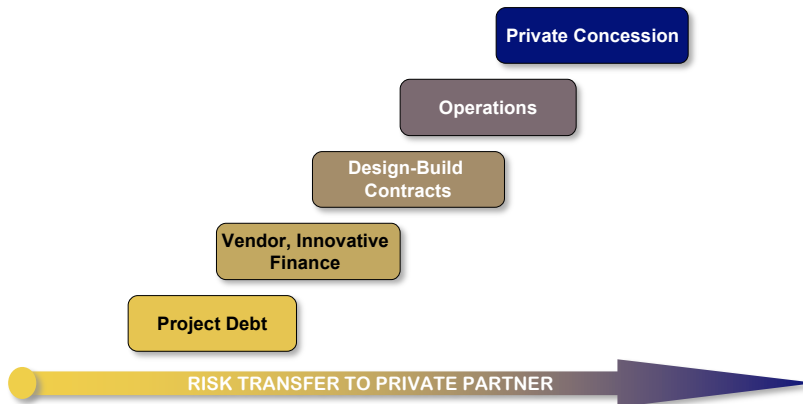
FTA "TOP 50" LIGHT RAIL OPERATORS 2005 (19)
Farebox Recovery Ratio



DEFINE THE NATURE OF THE P3



Position the P3 on the risk transfer spectrum



Properly allocating P3 risk improves a P3s' long-term success

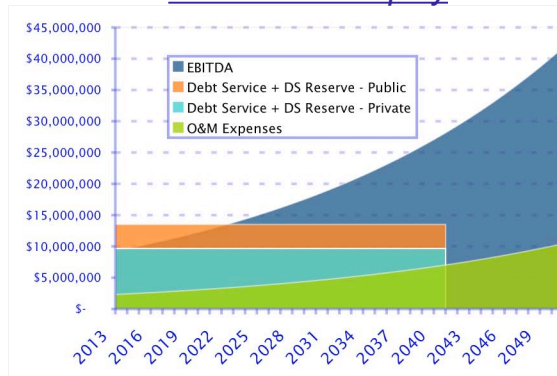


	Contractor, Developer or Partner	Public Partners
Pre-Development Phase		X
Financial Plan	X	X
Public Funding Risks		X
Revenue & Debt Financing Risks	X	X
ROW Cost Risks		X
DBOM Terms & Conditions		X
Construction Cost Risks	X	
Operating/Performance Risks	X	
Maintenance Risks	X	

Equity helps make (greenfield) projects “pushing the envelope” feasible



Greenfield Project Cash flows With and Without Equity

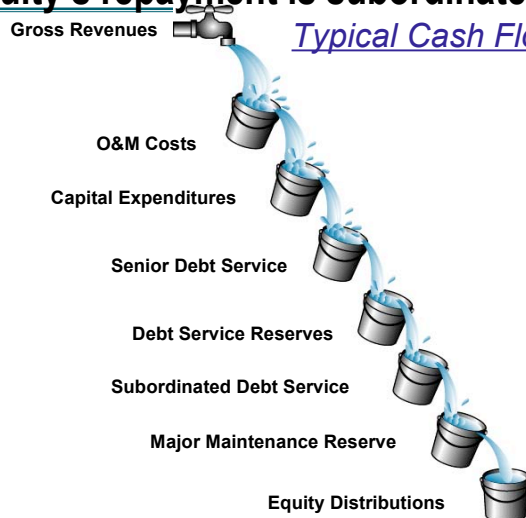


- Due to ramp-up characteristics, financing with “public” debt is not feasible
- Using equity, early debt service obligations are reduced
- Dividends (EBITDA) repay equity later in project

Not only are dividends deferred, but equity’s repayment is subordinate



Typical Cash Flow “Waterfall”

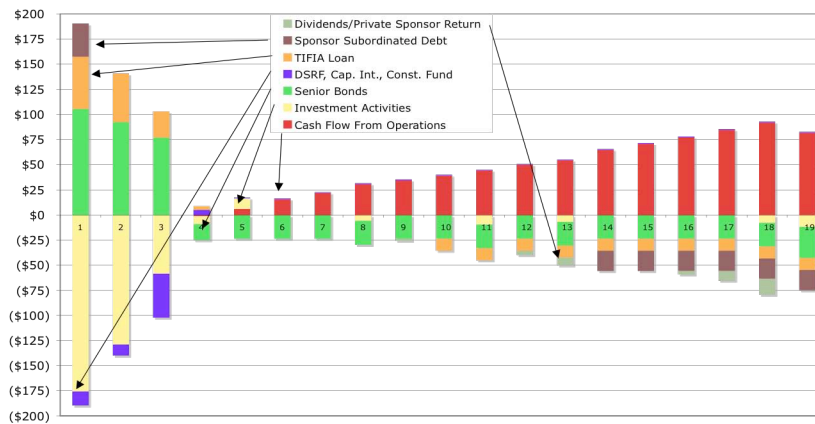


- Equity is paid at the bottom of the (annual) cash waterfall
- Non-payment of dividends does cause project default

P3s are highly structured financings-- to ensure all parties pay and are paid



Example of Combining Senior Debt, TIFIA and Private Equity



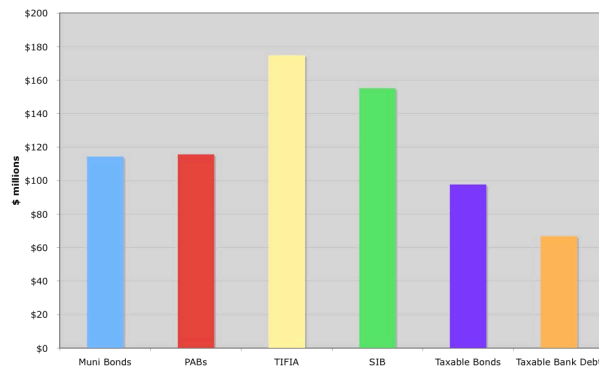
MAXIMIZE INNOVATIVE FINANCE SOURCES



Innovative finance often complements P3 financings



- This chart shows the effect of different financing vehicles on dedicated local fee receipts of \$9.9 million annually in 2010



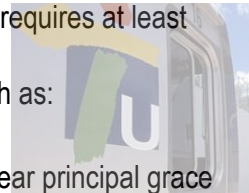
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Today, TIFIA is the best money around for innovative and P3 transit projects



- Designed to **fill market gaps** and leverage private co-investment providing subordinate capital
- Intended for projects of **national significance**, including inter-modal, highway and transit and passenger rail facilities
- TIFIA loans can fund up to **33%** of project costs (requires at least as much (investment grade) senior debt)
- TIFIA typically provides favorable loan terms such as:
 - Subordinate loans, with 1.10 coverage
 - Long-term (35-year-plus) fixed-rate debt 10 year principal grace periods and Treasury rates
 - Back-loaded debt service structures
 - “Ultimate Recovery” DS approach: Loan Life Coverage Ratio
- Tren Urbano received a TIFIA loan for \$300 M



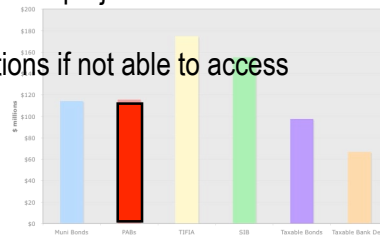
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PABs allow P3s to access the tax-exempt market



- Private Activity Bonds (PABs) are subject to federal (USDOT) or state allocation (volume caps)
- Total Amount of \$15 billion in SAFETEA-LU authorized PABS to be allocated by USDOT are not subject to state volume caps
- Can be combined with other financing mechanisms like TIFIA and availability payments
- Allows private sector to finance public use projects at cost similar to public entities
- Limited availability due to state limitations if not able to access SAFETEA-LU authority



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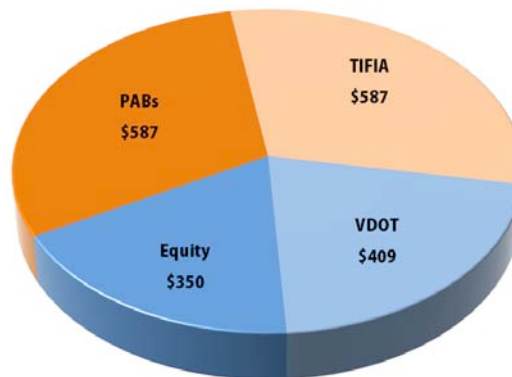
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PABs, TIFIA and equity make a great combination



Capital Beltway Funding Sources (\$ M), Dec. 2007

- Private Activity Bonds: benchmark of 3.6% for 20 years + margin of 1.75% for 7 years (5.35%); total 40 years
- TIFIA: 4.45%, 40 years, < than 25% of interest paid can cause default
- PABs & TIFIA: no principal repayment, first 25 years



Source: "Capital Beltway," Investor Briefing, Transurban, December 21, 2007, www.transurban.com.au/transurban_online/tu_nav_black.nsf/alltitle/investors-presentations-2007?open



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RRIF offers rail projects loans on less subsidized terms



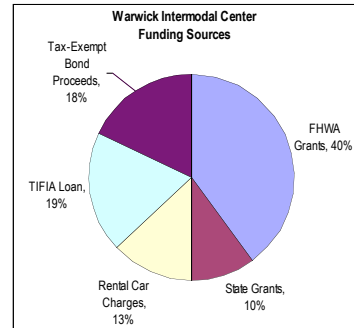
- Railroad Rehabilitation & Improvement Financing (RRIF) is a revolving loan and loan guarantee program administered by FRA that is legislatively enabled to issue up to \$35 B
- Can fund up to 100 percent of project costs and allows for 5-year repayment grace period
- Funding may be used to:
 - Acquire, improve, or rehabilitate
 - Develop or establish new intermodal or railroad facilities
 - Refinance outstanding debt
 - Eligible applicants: state & local governments, railroads, government sponsored authorities, joint ventures

CASE STUDIES

A rental car fee-backed TIFIA loan helped fund the Warwick Intermodal Facility



- \$200 M facility for rental car, parking, commuter rail, bus station, and future Amtrak facility
- Located on former super fund site, with opportunities for future office, hotel and other real estate growth
- Funded with rental car charges, other facility fees, federal and state grants



CA High-Speed Rail (HSR) combines P3, innovative and grant funding



HSR's \$30 B expected to be sourced from state, feds, private companies, locals



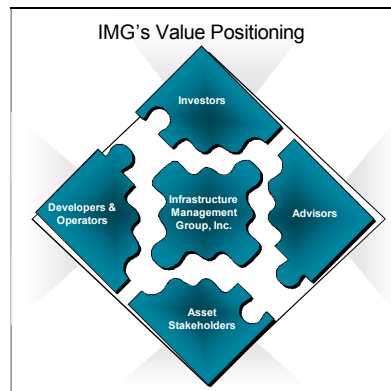
<u>Funding Sources</u>	<u>Amount (in \$B)*</u>
Public-Private Partnerships (P3)	\$5 to \$7.5
State Support	\$9 to \$12.5
Federal Support	\$10 to \$12.5
Local Partnerships	\$2 to \$4
Additional Funding Sources	
Environmental "Benefit Capture"	\$0.5 to ?
Additional Local Corridor Cost Sharing	\$1 to \$3
Total Funding	\$27.5 to \$39.5

*All figures are in 2006 dollars.

IMG Group overview



- Headquartered in Washington, DC metro area
- Multi-disciplined team of 25 seasoned professionals with more than 150 years of infrastructure experience as authority directors, city managers, facility operators and financial executives
- 200+ engagements for 100+ public and private sector agencies, authorities, and investors
- \$100+ billion (B) of deals across the infrastructure lifecycle - feasibility, development, construction, finance, upgrade and mature operations
- Experience across 22+ U.S. states, the Americas, Europe, Africa and Asia
- IMG Capital launched in January 2008 to serve as international investment division for investor advisory and buy-side origination



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